SFAMA
Swiss Funds & Asset Management Association

SFAMA News

Winter edition

SFAMA News

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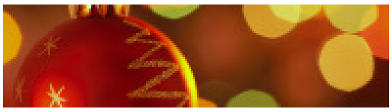

Season’s Greetings

As the year draws to a close…

Dear readers

2017 has been a very demanding year for us, both at home and abroad. One key task was to keep a very close eye on the developments surrounding Brexit, given that any solution found will also be significant for the Swiss financial sector. Among other destinations, we therefore also spent some time in London to get first-hand insights into the state of play. Given that many decisions affecting Switzerland as a fund location are taken in places such as Brussels, Luxembourg or Paris, it is imperative for our association to take part in the appropriate conferences and meetings to keep up-to-date with the latest developments. In the second half of the year, the primary focus in this regard was on MiFID II, which will enter into force on 3 January 2018. The discussions have centered on questions relating to the implementation of the corresponding requirements in practice.

At the national level, meanwhile, significant progress has been made towards introducing the new laws FinIA and FinSA. The EATC-S began the process of resolving differences in October. Although the Council has thus essentially agreed with the National Council’s version, this process will take longer than expected. As a result, there is likely to be a further delay in the entry into force. As things stand at present, the two laws are not expected to enter into force before 1 July 2019.

Asset management is a growth business. A current survey conducted by the Asset Management Platform Switzerland shows that Switzerland ranks among the leading countries in Europe in this area, with assets under management having increased by 5%. At the end of 2016, the volume of assets managed by banks, fund management companies, securities dealers and FINMA-supervised asset managers totaled CHF 1,970 billion. CHF 1,125 billion of this amount was held in collective investment schemes, with institutional mandates accounting for CHF 845 billion.

Our focus in the immediate future will be on using the upcoming holidays to take a break from our daily business, recharging our batteries to ensure that we are fit and ready to tackle the new challenges that lie ahead and have the necessary drive for the implementation work in store. We at the Swiss Funds & Asset Management Association SFAMA hope you and your families enjoy a pleasant and restful festive season, and we wish you every success in the new year.

All the very best!

The Board of Directors and Executive Board of SFAMA

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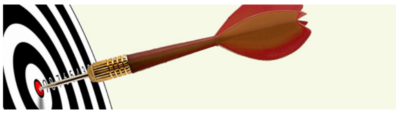

In focus

What the new year holds for investing

Central bank balance sheets

The global economy is growing again, and unemployment is falling. Despite this, the central banks are holding off on normalizing their monetary policies. For its part, the Fed has announced that it will start tentatively reducing its bulging balance sheet soon, and interest rates are set to continue to rise in small increments. Meanwhile, the ECB is continuing to expand its balance sheet yet further with massive purchases of securities, albeit at a slower pace. In light of the recovery in the global economy, the unwanted side-effects of quantitative easing have moved into the background somewhat, but have by no means disappeared. Quantitative easing has brought long-term interest rates down to a level that cannot be justified economically. This is weighing above all on savers, pension funds, insurance companies, and companies with high cash holdings. The low – or even negative – interest rates can lead to distortions on the real estate and financial markets. There is also the potential for bad business decisions, for example where there is an increased willingness to buy back own shares or take over other companies at a high price.

Valuations at record levels

Leading economists are calling on central banks to normalize their balance sheets as quickly and rigorously as possible, given that delaying will bolster debt, making the economy more susceptible to cyclical and political shocks. The extremely expansionary monetary policy has seen real estate, bond, and equity prices rise sharply, while valuations have reached record levels. The pivotal question for investors now is whether these considerations apply to all markets across the world, or only for specific segments. History tells us that in long boom periods increasing numbers of investors are prepared to take on virtually any position, and this is currently also being driven by the lack of investment opportunities. In doing so, they overestimate their ability to sell again when the markets turn. With valuations at their current levels, it is becoming increasingly difficult to achieve significant returns. However, perhaps we also have to accept that the easy gains have already been made in this cycle.

2018 – quo vadis?

The policies of the central banks will remain a key driving force for the markets in 2018 – in both directions! Sooner or later, the expansionary monetary policy will come to an end. By then at the latest, ‘traditional’ factors such as corporate earnings forecasts and the general economic outlook will once again be reflected more strongly in valuations. The principle of sensible diversification remains all the more important against this backdrop, and investors would be well advised not to allow themselves to stray into hasty action.

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Latest News

Deadlines coming up!

Reminder

In this section we highlight any significant deadlines coming up over the short term. This is aimed at assisting your planning, but it is by no means an exhaustive list.

Partial revision of the CISO

The transitional provisions regarding the amendments to the Collective Investment Schemes Ordinance (CISO) of 13 February 2013 are to be found in Article 144c CISO. Barring any ruling to the contrary in the specific transitional provisions, the new provisions apply from the entry into force on 1 March 2013.

28 February 2018

Existing encumbrance arrangements pursuant to Art. 96 para. 1 CISO which exceed the threshold must be rectified.

Financial Market Infrastructure Ordinance

1 January 2016 – 31 August 2020

The transitional provisions regarding the Financial Market Infrastructure Ordinance of 25 November 2015 are set out in Title 4 FMIO. Barring any ruling to the contrary in the specific transitional provisions, the new provisions apply from the entry into force, i.e. from 1 January 2016.

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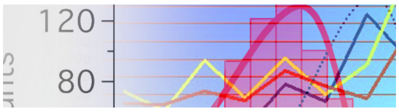


Fund markets

Key data on the international fund business

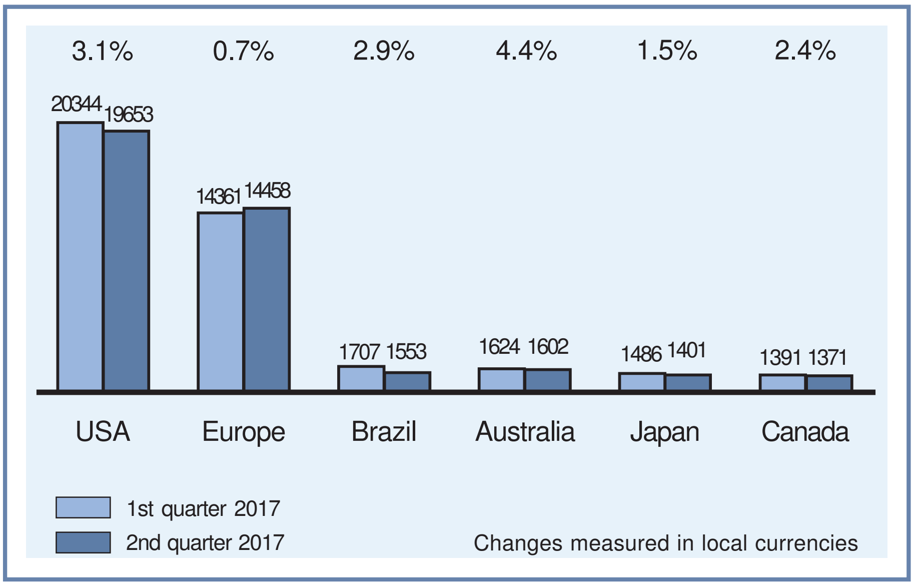
EUR 42.33 trillion in fund assets worldwide

Following a respectable increase in the first quarter of 2017, the volumes of assets invested in funds worldwide fell back somewhat in Q2. In 2014, working in conjunction with the IIFA (International Investment Funds Association), EFAMA incorporated new fund types into the universe covered – such as ETFs, institutional funds, and hedging products – and this resulted in a massive increase in both fund volumes and product numbers. Direct comparisons with earlier data can therefore only be made with figures until the beginning of 2015. As at the end of June this year, the newly calculated fund volumes stood at EUR 42.3 trillion, which corresponds to a drop of 2%. Funds of funds accounted for EUR 3.09 trillion.

Development of fund volumes worldwide positive

Measured in EUR terms, Australia led the way in Q2 this year with an increase of 4.4%, while Europe posted a gain of just 0.7%. In the US, the total volume was back just below the EUR 20 trillion mark at the end of June 2017. According to the latest EFAMA report, a total of EUR 14.5 trillion was invested in funds in Europe.

Geographical trends in investment fund assets in Q2/17 (in EUR billions)



Source: EFAMA International Statistical Release, September 2017

Scarcely any change in the international breakdown

Comparing the data gathered, the US accounted for 46.4% of the global assets invested in funds at the end of the second quarter. Europe followed in second place with 34.2%, with Australia (3.8%) holding on to third spot, albeit now ahead of Brazil (3.7%). Japan remained in fifth spot with 3.3%.

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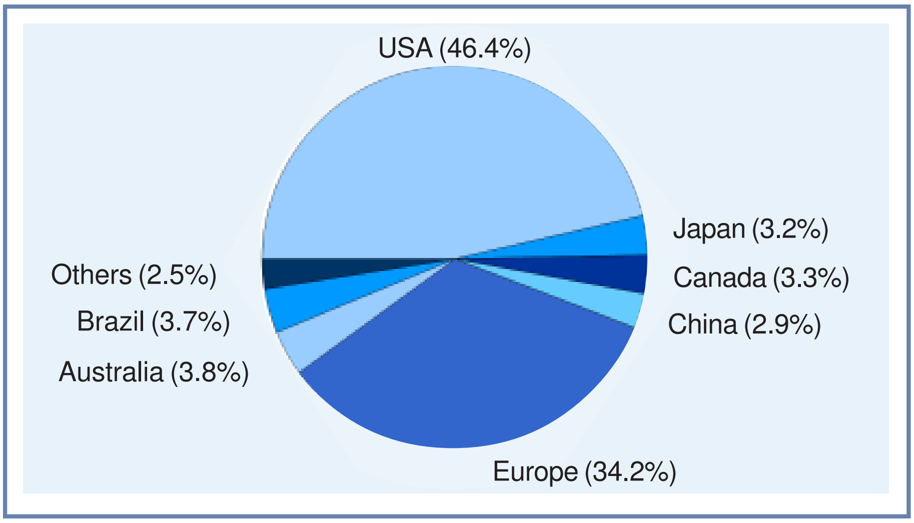
Geographical trends in investment fund assets by end of June 2017



Source: EFAMA International Statistical Release, September 2017

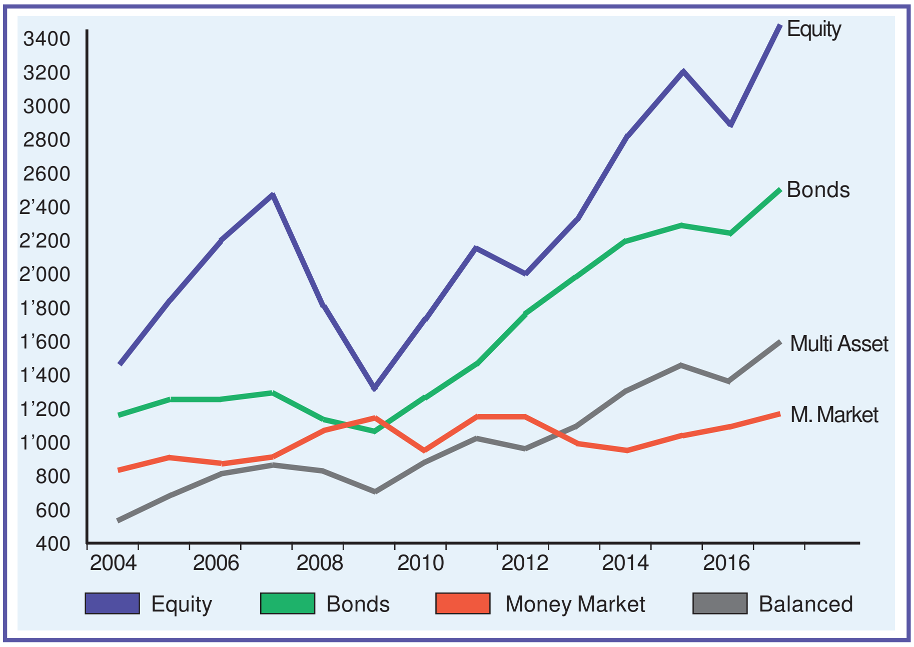
Global fund universe of 122,954 funds

The fund universe covered by EFAMA showed a decrease for the first time in Q2, and at the end of June 2017 the total stood at 122,954 different products. This corresponds to a decrease of 530 funds since the beginning of April 2017. The breakdown of products per fund category is as follows: equities 41%, bonds 21%, multi asset 18%, money market 11%, and others 8%.

A look at Europe

The net inflows in Europe amounted to a further EUR 174 billion in Q2 2017, following on from inflows of EUR 202 billion in the first three months of the year.

Net sales into UCITS in Europe since mid-2004



Seource: EFAMA Quarterly Statistical Release, September 2017 (annual figures in EUR billions)

Trend in terms of volumes mostly positive

This result was primarily attributable to the development of multi-asset funds and bond products, which enjoyed inflows totaling EUR 147 billion in Q2. Meanwhile money market funds suffered net outflows of EUR 13 billion, whereas equity funds posted inflows of EUR 35 billion.

Of the European countries with higher volumes – i.e. Luxembourg, France, UK, and Ireland – only Ireland and Luxembourg were able to bolster volumes further in Q2 (with increases of 1.5% and 0.9% respectively). Another major fund country, Germany, also posted a gain of 2.0%. Switzerland recorded a decline of 0.8%, however, this being roughly in line with the average of all countries. The countries of southern Europe were in sparkling form, with all showing positive growth rates (Greece 7.9%, Spain 3.6%, Portugal 3.0%, and Italy 2.2%).

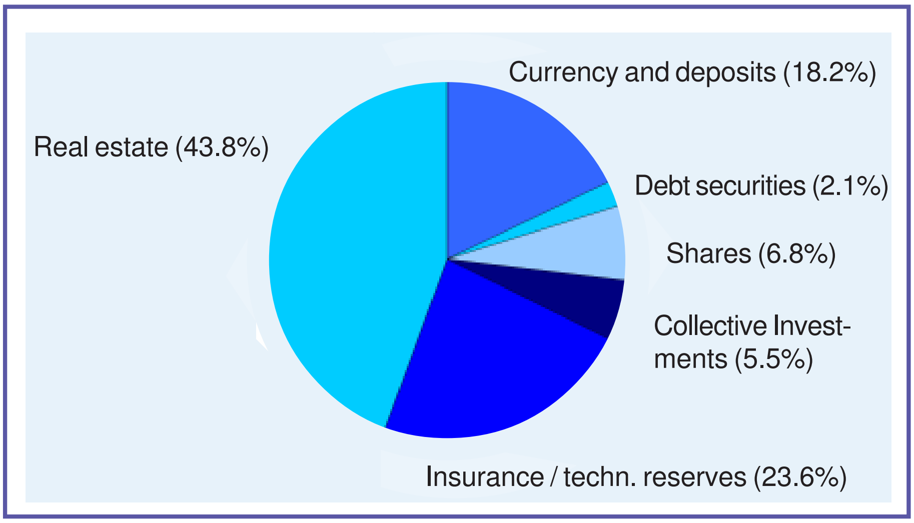
Swiss financial accounts

Stocks of financial assets and liabilities for 2003 to 2016

At the end of November 2017, the Swiss National Bank (SNB) again presented financial accounts for Switzerland, showing the volumes and structure of the financial assets and liabilities in the individual sectors of the economy.

The results for 2016 show financial assets of private households at CHF 4,344 billion, which translates into a rise of CHF 134 billion or around +3.2%. However, much of the reported assets are not directly disposable as they are tied into pension provision.

Structure of private households (as of end-2016)



Source: www.snb.ch/e (Publications)

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For the fund industry, the weighting of funds in the financial assets of private households is especially interesting. While this weighting was around 9% until 2003 and rose to 11.7% from 2004 to 2007, since 2008 it has been back around 9.5%. Between 2011 and 2013, the figures ranged from CHF 170 billion to CHF 197 billion, or 8.4% to 8.8%. The weighting currently stands at 9.8% with a volume of CHF 240 billion.

Swiss fund market in 2017

Cooperation between Morningstar and Swiss Fund Data

Swiss Fund Data AG, a subsidiary of SFAMA and SIX Swiss Exchange Ltd, has been publishing statistics for the Swiss fund market together with Morningstar Switzerland GmbH since 2014. The market data of the two companies are brought together and published by Swiss Fund Data AG in the form of public market statistics and via a monthly statistics subscription service. This offering is complemented by the regular market commentaries from SFAMA, which cover the development of the Swiss fund market.

Fund volumes around CHF 1,042 billion

According to the statistics on the Swiss fund market, the total volume stood at CHF 1,042.3 billion at the end of September 2017, an increase of CHF 63.6 billion or 6.5% quarter-on-quarter. The figures are based on the FINMA approvals list and cover all funds under Swiss law as well as all foreign funds approved for distribution in Switzerland, including institutional unit classes.

Broken down by asset class, equity funds still have the largest share at just over 42%, followed by bond funds with around 32%. Asset allocation funds remain in third spot with around 11.6%.

Development of fund assets since January 2017

Fund Category	Volumes 31.12.2016	Volumes 30.09.2017	Overall change
Equities	377.9	438.9	+ 61.0
Bonds	285.5	333.3	+ 47.8
Money Market	69.6	73.4	+ 3.8
Asset Allocation	108.4	120.5	+ 12.1
Others	3.1	2.8	- 0.3
Natural resources	19.8	22.7	+ 2.9
Alternatives	17.5	18.9	+ 1.4
Real Estate	29.9	31.8	+ 1.9
Total Swiss Market	**911.7**	**1042.3**	**+ 130.6**

Source: Swiss Fund Data AG / Morningstar (in CHF billions)

Number of Swiss-law funds increasing

The uptrend in the number of Swiss funds discernible since summer 2016 continued, accelerating sharply in Q3 2017. 1,626 Swiss-law products are now registered with FINMA, a new all-time high. 19 of these are limited partnerships for collective investment. All in all, the

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total number of investment vehicles under Swiss law rose by 54 products quarter-on-quarter.

Renewed rise in foreign-domiciled funds authorized in Switzerland

The number of funds authorized for public distribution is well above the 9,000 mark, and at the end of September the figure stood at 9,185, up by 99 quarter-on-quarter. This translates into an increase of some 233 funds in the first nine months of the year. On this occasion, the rise was primarily attributable to Swiss funds, although the number of foreign funds (above all those domiciled in Luxembourg) was also higher, up 39 in Q3. Luxembourg and Ireland were able to clearly defend their lead among the domicile locations.

Development of number of funds by type of fund / fund domicile
(in brackets: funds for qualified investors)

Fund domicile / Fund type	As of end-December 2016		As of end-September 2017		Change in the year 2017	
Swiss funds	**1551**	**(681)**	**1626**	**(696)**	**+ 75**	**(15)**
Swiss limited partnerships	18	(18)	19	(19)	+ 1	(1)
Securities funds	136	(0)	136	(0)	0	(0)
Other funds for trad. investm.	1296	(623)	1364	(634)	+ 68	(11)
Other funds for altern. investm.	42	(14)	47	(17)	+ 5	(3)
Real estate funds	59	(26)	60	(26)	+ 1	(0)
Non-Swiss funds	**7401**		**7559**		**158**	
Luxemburg	4955		5031		76	
Ireland	1583		1658		75	
Other countries	863		870		7	
Total Swiss and Non-Swiss	**8952**	**(681)**	**9185**	**(696)**	**233**	**(15)**

Source: FINMA (as of the beginning of October 2017)

Strong increase in assets under management in Q3

Securities totaling CHF 6.0 trillion held in Swiss custody accounts

According to the latest SNB statistics, the securities holdings in client custody accounts at Swiss banks had risen above CHF 6 trillion for the first time as at end-September 2017, a 3.71% increase compared with the middle of the year. According to the SNB's monthly statistics for November 2017, the securities holdings of non-resident clients have risen by 7.59% to CHF 3.05 trillion in the year to date. Meanwhile, in the case of resident custody account holders the corresponding figure was up 7.37% to CHF 2.96 trillion. Non-resident clients thus still account for nearly 51.0% of the securities holdings.

Comparison of fund holdings

A comparison of fund holdings shows parallel developments for resident and non-resident custody account clients. Between the beginning of the year and the end of September 2017, the fund holdings of resident clients rose by CHF 105 billion to CHF 1,259 billion (+9.1%). Meanwhile, the fund holdings of non-resident custody account clients increased by CHF 85 billion to CHF 852 billion (+11.1%). It is still

Differing fund weightings for resident and non-resident clients

primarily resident clients that hold funds under Swiss law in their custody accounts; at around CHF 789 billion these holdings make up some 62.7% of the corresponding total. Non-resident investors' holdings in collective investment schemes under Swiss law long remained steady at 9-10%, then followed a few years where the figure ranged between 10% and 12%. It now stands at around 8.3%.

As regards fund weightings, the trends have not moved in the same direction over the course of the year. That of resident custody account clients rose steadily from 41.9% at the beginning of the year to 42.1% at the end of September. The weighting for non-resident custody account clients has been fluctuating between 26% and 28.5% for some time. It currently stands at 28.0%, 0.9 of a percentage point more than at the beginning of the year.

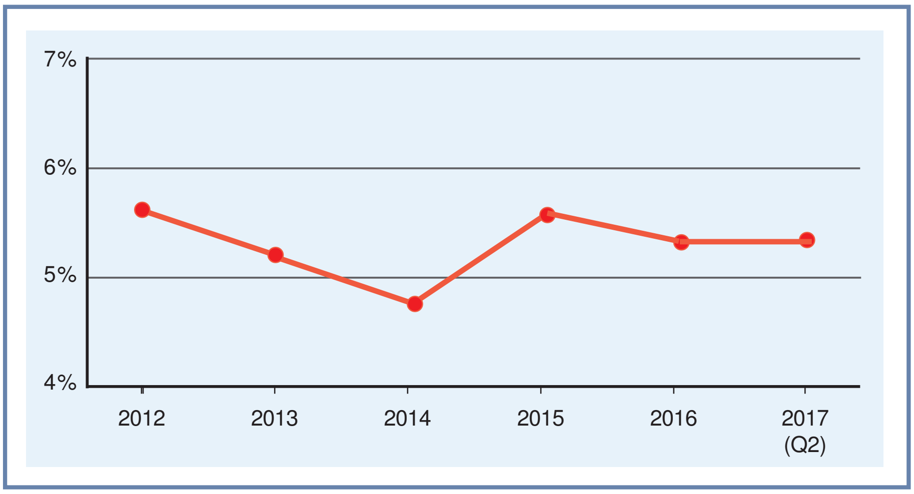
SFA ARI®

Yield on investment indicator for real estate funds in Switzerland

The then SFA launched the SFA ARI® at the end of April 2012 with a view to making it possible to compare the actual yields of listed Swiss real estate funds at the product level. This indicator is based on the investment yield statistics and is calculated quarterly (January, April, July, October) by Swiss Fund Data AG on the basis of the respective annual reports.

The fund universe comprises the real estate funds listed on the SIX Swiss Exchange that make direct real estate investments in Switzerland, with Switzerland being their sole investment country. Funds of funds and Swiss funds that invest directly outside Switzerland are excluded.

Development of the SFA ARI® since 2012



Source: Swiss Fund Data

Current yield

According to the latest SNB statistics, the securities holdings in client custody accounts at Swiss banks had risen above CHF 6 trillion for the first time as at end-September 2017, a 3.71% increase compared with the middle of the year. According to the SNB's month

Share price gains as far as the eye can see

An appetite for risk is paying off in many instances – but how long for?

The mood on the international financial markets is good, very much so in some cases. Professional investors are for the most part fully invested, and even private investors appear to be regaining their appetite for risk assets. This may well be attributable to the fact that investors are currently being spoiled by the monetary policies of the central banks, and positively 'forced' into buying high-risk securities.

Where are the risks?

Price volatility has fallen to historically low levels, while the purchase of products that essentially make little sense as investments has thus far also often paid off. Examples include many overvalued corporate bonds, the shares of structurally loss-making companies, and not least also most cryptocurrencies. Investors are apparently taking inspiration from the notoriously 'lax' central banks, and now also from the 'first synchronous' upswing in some time.

Strong share price gains in certain regions

The boom has been particularly pronounced in Central and Eastern Europe. Meanwhile, the Austrian stock market has also posted clear gains, not because the country itself is in particularly dynamic form, but because its equity market essentially no longer has much to do with the performance of the domestic economy. Most of the companies listed in Austria have a strong operational presence in Central or Eastern Europe, and generate the lion's share of their sales and earnings there.

Keep a close eye on Latin America and Asia

In South America, share prices in Argentina, Colombia, Chile, and Peru have posted gains of between 28 and 48% in CHF terms, as measured by the Factset indices. However, certain stock markets no longer appear to be particularly cheap. The same can also be said for India, where there has been a considerable upswing on the stock market despite it suffering from something of a hangover.

The perils of extrapolation

In a nutshell, the equity and bond markets have fared very well in the ideal environment of recent years. However, it cannot be assumed that these circumstances will persist endlessly into the future. First of all, interest rates cannot remain so low, and neither can money supply remain so high. Secondly, the inexorable rise in asset prices seen in many cases of late cannot continue unabated.

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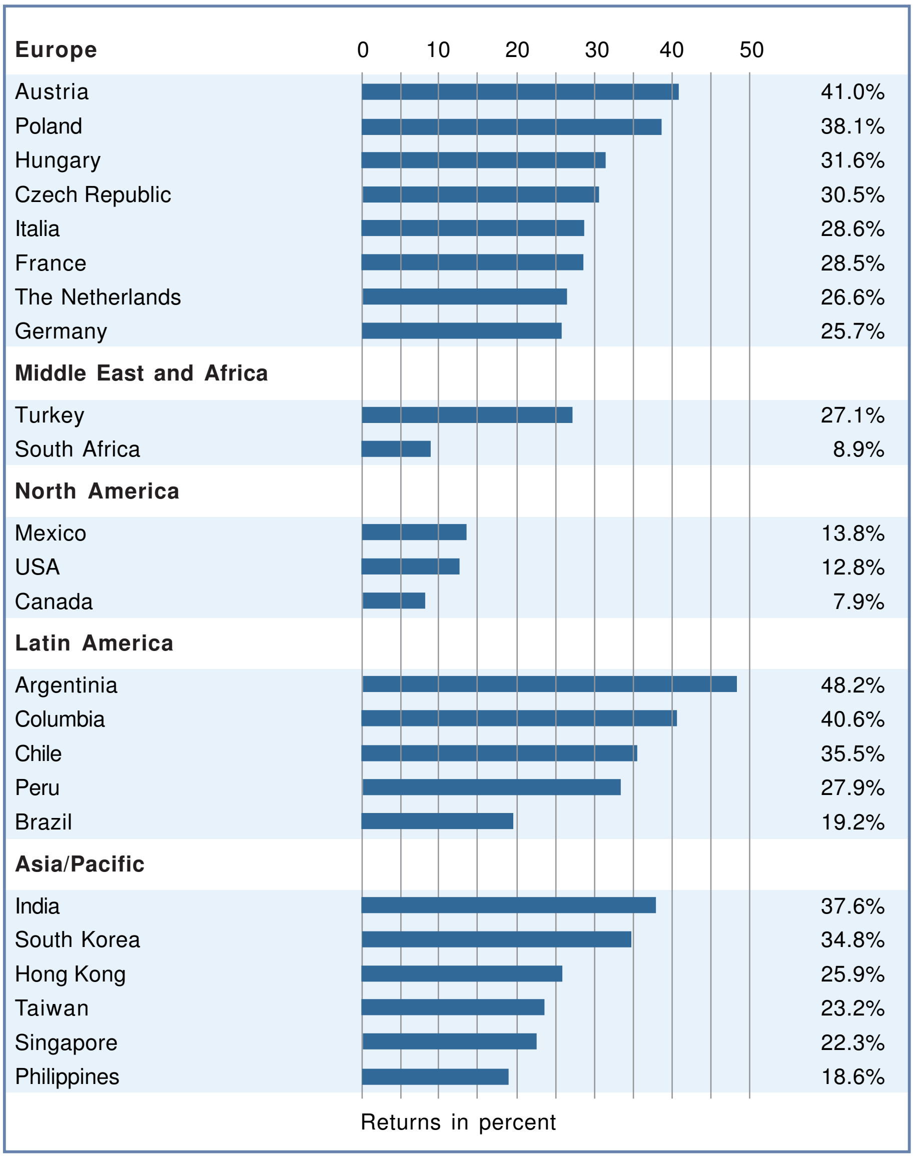
Global boom of stock markets in 2017



Source: Factset (NZZ of 06.11.2017), in CHF

Assets under management set to rise sharply

Results of a PWC study

The consultancy firm PWC expects global assets under management to increase to USD 145 trillion by 2025, an increase of some 70% from the USD 85 trillion at present. It is above all providers of passive products that are set to benefit from this growth. This assessment is based on the observation that private and professional investors alike are thinking twice about entrusting their money to portfolio managers pursuing an active strategy. The reason for this lies in the fact that the latter often underperform their passive counterparts, but charge higher fees for doing so. However, active managers should not simply stick their heads in the sand – there would also be future for them to seize as well. Although active investments are growing more slowly, they are growing nonetheless and still account for the largest share of the market. Lower-cost products may well be very appealing in rising markets, but the acid test of price setbacks is still to come.

Asset managers in Switzerland

Around CHF 2 trillion under management

As at the end of 2016, the volume of assets managed by asset managers in Switzerland stood at a new high of CHF 1,970 billion, according to a current survey conducted by SFAMA. This estimate was extrapolated from data from 31 of the largest and best-known asset managers in Switzerland, making up around 80% of the total market. The 5% increase in assets under management underscores the dynamic development of asset management in Switzerland. Virtually all the participants in the survey posted growth in 2016.

Demand worldwide for Swiss asset management

In the case of institutional mandates, Swiss investors accounted for 74% of the assets under management at the end of 2016 (CHF 622 billion), underscoring the important role that asset managers in Switzerland play in the management of pension fund assets. Meanwhile, the assets of foreign investors in the institutional mandate business showed above-average growth, rising sharply from CHF 160 billion to CHF 223 billion. This marked increase highlights the fact that Swiss asset management products and services are also enjoying strong demand internationally.

The majority of the assets managed in Switzerland are managed by a relatively small number of large market participants, this being especially the case in the institutional mandate business.

Swiss fund management market at the forefront

Leading position in Europe

Swiss Fund Data recently reported that the Swiss fund market had broken through the CHF 1 trillion mark. Although there are to date no official statistics on funds managed in Switzerland, SFAMA conducted a representative survey last year to ascertain the figures for the first time. The participating institutions stated that they managed some CHF 320 billion in foreign-law collective investment schemes in Switzerland. Added to this are more than CHF 700 billion in collective investment schemes under Swiss law, which are mostly also managed here in Switzerland. It is therefore possible that the overall total of the domestic fund management market is in excess of CHF 1 trillion, putting Switzerland at the head of the field in this area in Europe.

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The SNB records all collective investment schemes booked in Swiss custody accounts, i.e. also including those that may not be distributed publicly and which are not subject to CISA. The latter have enjoyed particularly dynamic growth in recent years. Collective investment schemes subject to CISA have been particularly successful since the financial crisis, with the corresponding volume of assets held in custody accounts having risen by 150% since February 2009.

Global asset managers

Switzerland missing from the top 10

An analysis of the largest 500 asset managers worldwide conducted by consultants Willis Towers Watson shows that the volume of assets entrusted to global fund houses and private banks swelled to CHF 82,500 billion in 2016. This corresponds to average growth of 5.2% p.a. over the past five years.

According to the study, the 20 largest players posted an annual increase in assets of 6.7% over this period. The heavyweights are also claiming an ever greater piece of the pie, with their share having increased for the third year running to stand at 42.3% at the end of 2016. One noteworthy aspect is that the bottom 250 managers also enjoyed strong growth on average, with their client assets under management having increased by 7.3% p.a. over the past five years.

Unfortunately, Swiss providers are mired in mid-table, and only the big bank UBS made it into the global top 20. That said, with a growth rate of 5.8% Swiss fund providers did fare better than the overall market in the past five years. According to the survey, they now manage a total of CHF 3,200 billion.

ETFs breaking one record after another

Uneven showing across the segments

In the record year of 2016 as a whole, exchange-traded funds attracted USD 378 billion in new money. By the end of October this year, this figure already stood at USD 517 billion. In the year to date, ETF investors have been searching for top performers in the developed equity markets in particular. These established markets together account for around two thirds of global ETF growth. In the case of ETFs, investors appear to be increasingly focusing on two factors: fundamental data and momentum.

Unlike Americans, Europeans have continued to buy in Europe. And actually they have many arguments in their favor. Europe’s economy is faring well, while the US is already further advanced in the cycle.

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Newsletter

Europe could also get support if US monetary policy were to be stricter than that in Europe and if the EUR were to weaken against the USD.

In the US, investors have been buying ETFs on shares of large companies, industrial firms, and financial stocks. USD 5 billion has been invested in ETFs covering small caps, a relatively large amount for that sector. This statistic comes from the provider Blackrock, which attributes the inflows to Americans' optimism regarding US President Donald Trump's tax plans, which would benefit all US companies but smaller ones in particular.

Emerging market ETFs also attracted nearly USD 5 billion in new money, again a relatively high amount for that asset class. This reflects investors' optimism regarding China following the People's Congress. There is a discernible trend of thematic niches forming in the ETF segment as well. For example, there are now ETFs covering stocks of providers in the cybersecurity area, and others for companies focusing on products and services for the older generation. Furthermore, the increasing density of products is also giving rise to service providers, such as global analysis platforms for ETFs.

Key figures on the Swiss Financial Center

Twice a year, the State Secretariat for International Financial Matters publishes up-to-date figures on Switzerland as a location for financial services. This useful summary publication is available for download and can also be ordered free of charge in a handy booklet format.

http://www.sif.admin.ch (Rubric «dokumentation»)

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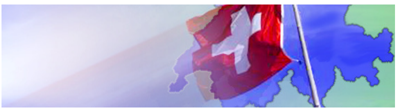

Domestic environment

FinSA/FinIA

Passed by National Council

At a meeting lasting several hours on 13 September 2017, the National Council approved the FinSA and FinIA bills. Both were passed in the vote on the entire texts, by 126 votes to 63 with 2 abstentions and by 125 votes to 64 with 2 abstentions respectively. As regards the details, the National Council essentially followed the proposals submitted by its Committee. The versions approved by the National Council can be found at the following link:

https://www.parlament.ch/centers/eparl/curia/2015/20150073/N22%20D.pdf

The EATC-S began the process of resolving differences on 16 October 2017. It continued its discussion of the draft laws on 2 November 2017, concluding its consideration of FinSA and reaching Article 57 of FinIA. The consideration of FinIA is likely to be completed at the Committee's next meeting in January 2018.

Entry into force probably not before 2019

Although the EATC-S agreed with the National Council's version in the case of most of the differences, the consideration took longer than expected. As a result, it will not be possible to bring the matter before the Council of States until the spring 2018 session. Any differences remaining thereafter will be cleared up in the summer 2018 session. As a result, there is likely to be a further delay in the entry into force. As things stand at present, the two laws are not expected to enter into force before 1 July 2019. This also means that the consultation procedure for the ordinances will probably not take place until the second half of 2018.

Collective investment schemes: withholding tax and stamp duty

FTA circular No. 24

The FTA has published a new circular covering collective investment schemes as the subject of withholding tax and stamp duty.

https://www.estv.admin.ch/dam/estv/de/dokumente/bundessteuer/kreisschreiben/2004/1-024-V-S-2017.pdf.download.pdf/1-024-V-S-2017-d.pdf

Revision of the ordinance governing the Swiss Official Gazette of Commerce begins

Changeover to electronic publication of the SOGC

On 22 November 2017, the Federal Council approved the first part of the revision of the ordinance governing the Swiss Official Gazette of Commerce (SOGC). Included in this is the changeover to the SOGC

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being exclusively published online. The partial revision of the SOGC ordinance will be phased in gradually.

https://www.admin.ch/gov/de/start/dokumentation/medienmitteilungen.msg-id-68909.html

FINMA revising circular on auditing

Until 31 January 2018

The Swiss Financial Market Supervisory Authority FINMA is orienting the regulatory auditing of banks, securities dealers and asset managers more towards risks. The Auditing circular is being revised so that auditing firms, who act on behalf of FINMA, operate in a more targeted manner in the future. The consultation will run until 31 January 2018.

https://www.finma.ch/en/news/2017/11/20171130-mm-pruefwesen/

The FSO accredited to issue legal entity identifiers (LEI) in Switzerland

Federal Act on the Business Identification Number (BINA)

The FSO has official accreditation to allocate legal entity identifiers (LEI) to Swiss businesses and funds that request one. The LEI contributes to risk prevention in the financial sector and encourages stability by enabling the authorities and interested parties to reliably identify contractual partners.

https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-69104.html

State Secretariat for International Financial Matters

Newsletter

The Newsletter provides regular information on the latest developments in the business areas covered by the SIF. It is published three to four times a year in German and French.

http://www.sif.admin.ch (Rubric Documentation / Publications)

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International environment

ESMA updates AIFMD and UCITS Q&A

Reporting, remuneration

On 5 October 2017, the European Securities and Markets Authority (ESMA) published updated questions and answers (Q&A) on the application of the Undertakings for the Collective Investment in Transferable Securities Directive (UCITS) and the Alternative Investment Fund Managers Directive (AIFMD) regarding periodic reporting and remuneration disclosure requirements.

https://www.esma.europa.eu/press-news/esma-news/esma-updates-aifmd-and-ucits-qas

ESMA receives mandate from EC

Fund performance and cost

On 19 October 2017, ESMA received a mandate from the European Commission requesting the European Supervisory Authorities (ESAs) – the European Banking Authority, the European Insurance and Occupational Pensions Authority (EIOPA) and ESMA – to issue recurrent reports on the cost and past performance of the main categories of retail investment, insurance and pension products.

https://www.esma.europa.eu/press-news/esma-news/esma-receives-mandate-fund-performance-european-commission

ESMA updates MiFID II Q&A

Investor protection, transparency

ESMA updated its Q&A regarding investor protection and transparency issues under the Market in Financial Instruments Directive and Regulation on 10 and 15 November 2017. These updates include new answers regarding investor protection, pre- and post-trade transparency, systematic internalizers, data reporting service providers and third country issues.

Investor protection
https://www.esma.europa.eu/sites/default/files/library/esma35-43-349_mifid_ii_qas_on_investor_protection_topics.pdf
Transparency
https://www.esma.europa.eu/sites/default/files/library/esma70-872942901-35_qas_transparency_issues.pdf

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ESMA publishes final report on Money Market Funds rules

ESMA publication

On 17 November 2017, ESMA published a final report on the Money Market Funds Regulation (MMFR), containing definitive versions of the technical advice, draft implementing technical standards, and guidelines on stress test scenarios carried out by MMF managers under the MMFR. The key requirements relate to asset liquidity and credit quality, the establishment of a reporting template, and stress test scenarios carried out by MMF managers.

https://www.esma.europa.eu/press-news/esma-news/esma-publishes-final-report-money-market-funds-rules

EU will nationale Finanzaufseher entmachten

Neuer Vorstoss

Die Europäische Union will eine zentrale Finanzmarktaufsicht ins Leben rufen, die an die Stelle der nationalen Marktwächter treten soll. Die machen ihre Arbeit nämlich nicht immer gut, findet die ESMA.

http://www.fondsprofessionell.de/news/maerkte/headline/eu-will-nationale-finanzaufseher-entmachten-137016/

Pan-European Personal Pension Product

So wird die Europa-Rente zum Erfolg

Die EU arbeitet an standardisierten Rentenprodukten für alle 28 Mitgliedstaaten, der „Pan-European Personal Pension Products“ (PEPP). Die geplante europäische Rente wird nur zum Erfolg, wenn sie einige wichtige Kriterien erfüllt – das betont EFAMA-Generaldirektor Peter De Proft.

http://www.fondsprofessionell.de/news/recht/headline/efama-chef-de-proft-so-wird-die-europa-rente-zum-erfolg-137366/

EuVECA and EuSEF Regulations amended

Result of the European Commission’s review process

Regulation (EU) 2017/1991 amending regulations (EU) No. 345/2013 on European Venture Capital Funds (EuVECAs) and (EU) No. 346/2013 on European Social Entrepreneurship Funds (EuSEFs) (together, the „Regulations“) has been published in the Official Journal of the European Union and will be applicable as of 1 March 2018.

https://sites-arendt.vuturevx.com/102/1260/november-2017/2017.11-nf-amended-euveca-and-eusef-regulations.asp?sid=f03f570b-3f65-4840-957b-699a36528ad5

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IOSCO's peer review of regulation of money market funds

Not much progress in liquidity management

On 3 November 2017, the International Organization of Securities Commissions (IOSCO) issued its update report regarding the regulation of money market funds. It covers three topics (valuation, liquidity management, and MMFs that offer a stable NAV) and finds that while most jurisdictions have implemented the fair value approach for the valuation of MMF portfolios, progress in liquidity management is less advanced and less even.

https://www.iosco.org/library/pubdocs/pdf/IOSCOPD583.pdf

IOSCO's good practices for termination of investment funds

Investor protection

On 23 November 2017, IOSCO published 14 good practices on the voluntary termination of investment funds that seek to protect investors' interests during the termination process. They apply to voluntary terminations, given tat involuntary terminations are addressed by legislation at the national level in most jurisdictions.

http://www.iosco.org/library/pubdocs/pdf/IOSCOPD588.pdf

IOSCO's Hedge Funds Survey

New data on global hedge fund industry

On 23 November 2017, IOSCO published its report on the fourth IOSCO Hedge Fund Survey, which provides regulators with new insights into the global hedge fund industry and the potential systemic risks this industry may pose to the international financial system. The report provides an overview of the hedge fund industry based on data as at 30 September 2016. In the two years since the previous results, global assets under management of hedge funds had risen by 24% to USD 3.2 trillion.

http://www.iosco.org/news/pdf/IOSCONEWS481.pdf

Foreign Account Tax Compliance Act

Updates

The IRS provides regular updates via its website, including various documents and forms as well as FAQs on a range of different aspects.

http://www.irs.gov/Businesses/Corporations/FATCA-Foreign-Financial-Institution-Registration-Tool

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SFAMA activities

Members

Six new members admitted

The Board of Directors and the Executive Board were pleased to welcome the following members to SFAMA in fall 2017:

- Affiliated Managers Group (Switzerland) AG
- Albin Kistler AG
- ASMA Asset Management Audit & Compliance SA
- Loyens & Loef GmbH
- Robeco Switzerland AG
- Tareno AG

Specialis committees

Highly active

The specialist committees essentially undertake the preparatory work for decisions relating to their specific areas, which they then submit to the Board of Directors and the Executive Board. The individual committees were/are actively involved with the following **issues**.

Alternative Investments
Hans-Jörg Baumann

- Holding a 'Private Markets' training event in conjunction with CAIA
- Discussion of possible business models (boutique approach versus multi-asset management) for providers of alternative investments
- Discussion of 'The case for hedge funds'

ETF
Markus Götschi

- Working on improving the statistical basis for ETFs and indexed investments in collaboration with Swiss Fund Data and Morningstar
- Publication of a new ETF brochure

Real Estate Funds
Roger Hennig

- Monitoring the ongoing revision of Lex Koller. Coordination with the 'For a modern Lex Koller' alliance (www.modernelexkoller.ch) and monitoring the further activities of the Federal Department of Justice and Police
- Analysis of the possible impact of Tax Proposal 17 (formerly CTR III) on real estate funds, both nationally and at the cantonal level

Processes & Operations
Daniel Lüdin

- IOSCO consultation on recommendations and good practice in liquidity risk management for funds
- European Parliament draft regulation on money market funds
- EU benchmark regulation
- Valuation of collective investment schemes over the year-end 2017/2018

Risk Management
Martin Jufer

- Discussion of risk management approaches at individual institutions with a view to determining best practice
- Continuing work on a publication on risk management standards
- Consulting member institutions on risk management guidelines for asset managers

Legal & Compliance
Olivier Sierro

Products
- Amendments to SFAMA's self-regulation material and model documents in respect of distribution, real estate funds, and risk management

Distribution
- Consequences of the regulatory changes under FinSA/FinIA and the impact on the model distribution agreements resulting from the change from 'distribution' to 'offering' of collective investment schemes

Regulation

FinSA/FinIA
- New schedule

MiFID II
- Implementation and Level 3 measures
- EFAMA's response to the ESMA Consultation Paper 'Guidelines on certain aspects of the MIFID II suitability requirements'
- Complex / non-complex products: EFAMA country analysis

PRIIP
- New version of the European PRIIP template (EPT) and Comfort European PRIIP template (CEPT)
- New version of the SFAMA FAQ on PRIIPs
- Positive feedback from members on overview of MiFID II and PRIIP service providers
- Estonian Presidency's 'CRD V' proposal regarding remuneration rules

Current issues
- Proposal for a fund not requiring approval
- Distribution agreements and target markets
- Delegation models and ESA reform

Legal & Compliance Asset Management
Jasmin Djalali

- Assessing the need for action from the regulatory perspective with regard to occupational pensions (in particular OPO2)
- Discussing the cross-border questionnaire for regulatory audit companies
- Discussing Brexit and ESA reform as well as the implications for Switzerland
- Discussing developments regarding platform and shelf fees
- Analyzing developments and current status with regard to crypto-funds
- Proposal for a fund not requiring approval

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Taxes
Hanspeter Kurz

- Tax Proposal 17
- Single investor funds of a non-life insurance company
- DTA policy

Distribution & Marketing
Markus Signer

- Finalization of discussions with FINMA on the SFAMA questionnaire for monitoring distributors in accordance with the SFAMA Guidelines on Distribution and planned publication in Q4 2017

Upcoming events

Save the date

Swiss Funds & Asset Management Forum 2018
Friday, 16 March 2018
Hotel Bellevue Palace, Bern

More detailed information on events will be published on the Internet in due course.

www.sfama.ch (Events)

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Interesting reading

Friends of Funds

In partnership with SFAMA

The Swiss Funds & Asset Management Association SFAMA has a long-standing partnership with the neutral discussion forum Friends of Funds. The dates and topics for the events through to the end of June 2018 in Zurich and to the end of 2018 in Geneva are as follows:

Save the date

Events in Zurich (cycle 29/30)

23.01.18	Implementing legal requirements in practice
13.02.18	Does alpha offer more than just additional risks?
13.03.18	What challenges are in store for the private label business?
17.04.18	Digitalization in the fund industry – where do we stand at present in Switzerland?
15.05.18	What changes will FinSA and FinIA entail for good old CISA?
26.06.18	Quantitative investments: Big Data – Big Performance?

Events in Geneva (cycle 12)

06.03.18	Legislation / FinSA, FinIA, MiFID
05.06.18	Asset management / performance
11.09.18	Asset management / emerging or frontier markets
04.12.18	Efficient fund management strategies in Switzerland

Further information on the events in Zurich and Geneva, where available, can be found on the forum's website at

www.friends-of-funds.ch

Friends of Funds: new sections

The website was revamped at the beginning of the year 2016, and various new features added. Visitors can now download documents such as studies, research reports, PowerPoint presentations and survey results of partner companies. These can be found in the sections „Investment Center", „Service Center", „Education Center", and „News Center".

Use of event calendar free of charge

The Friends of Funds forum is continuing to offer an independent calendar for fund and financial industry events in Switzerland, intended for events of all kinds (including those with restricted audiences). If you have dates for roadshows, media conferences, seminars, anniversaries or other events, you can publish these free of charge via the www.friends-of-funds.ch website (under „Events / Ihre Veranstaltung").

www.friends-of-funds.ch (Events / Ihre Veranstaltung)

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FINMA amends Ordinance on Data Processing

Entered into force on 15 September 2017

The Swiss Financial Market Supervisory Authority FINMA has amended its Ordinance on Data Processing. In the Ordinance, FINMA defines how it collects information to assess an individual's compliance with proper business conduct requirements (data collection to monitor proper business conduct).

https://www.finma.ch/en/news/2017/09/20170905-mm-datenverordnung/

New FINMA Bulletin

Only available electronically

Among the topics featured in FINMA Bulletin 6/2017 are decisions relating to corporate governance requirements under supervisory law and due diligence obligations for business relationships with politically exposed persons set out in anti-money laundering legislation. Other decisions highlighted are market manipulation and the legal nature of industry bans.

https://www.finma.ch/en/news/2017/10/20171004-aktuell-finma-bulletin/

Derivative reporting requirements: transition period extended in specific cases

FINMA Guidance 05/2017

The Swiss Financial Market Supervisory Authority FINMA has granted non-financial companies with low derivatives trading volumes more time to start reporting to a trade repository. This extension period will end on 1 January 2019.

https://www.finma.ch/en/news/2017/10/20171018-mm-aufsichtsmitteilung-05-2017/

Need for action on audit law to be assessed

Specific audit recommendations

The Federal Council plans to assess whether amendments are needed to the law on audits. At its meeting on 8 November 2017, it acknowledged a report on the possible need for action in the general law on audits and audit supervision. The report did not show any fundamental need for action, but the Federal Council wishes to have a more in-depth assessment of specific audit recommendations.

https://www.admin.ch/gov/de/start/dokumentation/medienmitteilungen.msg-id-68690.html

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First private fund in China

Launch planned before the end of 2017

UBS's fund is likely to invest in equities and/or bonds. The company is also looking into launching funds for alternative investments such as real estate. Foreign providers have for some time been permitted to offer retail funds via local providers in China. However, it is only recently that the government has allowed them unrestricted access to the private funds business, which is aimed at high net worth individuals and professional investors. UBS was awarded a license to manage private funds in China in mid-July.

Total global wealth reaches USD 280 trillion

Global Wealth Report 2017

According to the eighth edition of the Global Wealth Report, total global wealth had risen at a rate of 6.4% in the year to mid-2017, the fastest pace since 2012, gaining USD 16.7 trillion to stand at USD 280 trillion. This reflects widespread gains in equity markets matched by similar rises in non-financial assets, which have moved above the level set in the pre-crisis year of 2007 for the first time this year.

https://www.credit-suisse.com/corporate/en/research/research-institute/global-wealth-report.html

Investing more important than saving and buying property

Schroders Global Investor Study 2017

Investors these days are strongly oriented toward the capital markets, according to this year's Schroders Global Investor Study, which surveyed more than 22,000 investors in 30 countries.

http://www.schroders.com/en/insights/global-investor-study/2017findings/

Active asset management staging a comeback?

Allianz Global Investors RiskMonitor 2017

Companies managing passive investment funds have sold about USD 4.5 trillion worth of exchange-traded funds to date and expect to reach the USD 5 trillion mark by the year-end. Wealth managers who favor active investments are losing out as the boom of passive investment products has entered its fifth year. The euphoria seems to be fizzling out, however, and some institutional investors are about to change tack, according to a survey by Allianz Global Investors, the asset management unit of Germany's Allianz.

https://www.allianz.at (Rubric «Presse» 07.09.2017)

Zurich: Back in the Top Ten

New Global Financial Centers Index

Zurich, Switzerland's banking hub, has moved up two places to 9th in the Global Financial Centers Index. Zurich has regained some of its allure as a safe haven, while concerns about an ever-tightening regulatory framework seem to have evaporated. Geneva, Switzerland's other major banking hub, also moved up to 15th from 20th globally.

http://www.longfinance.net/images/gfci/gfci_22.pdf

Asset Management: Erfolgsformel gesucht

Neue Studie von Bain & Company für Deutschland

Verschärfte Regulierung, Digitalisierung, harter Wettbewerb und Margendruck ändern nichts an der Tatsache, dass der Anlagebedarf sowohl institutioneller als auch privater Anleger in Deutschland hoch bleibt. Allerdings ermöglichen die neuen Rahmenbedingungen nicht jedem Anbieter zu prosperieren, wie eine Studie von Bain & Company über die Verfassung der Fondsbranche in Deutschland zeigt.

http://www.bain.de/en/Images/Bain-Studie_Asset-Management-Erfolgsformel-gesucht_DS_final.pdf

BVI überarbeitet Fondsbroschüre für Berater

Mehr Nutzen, frische Optik

Der deutsche Fondsverband BVI hat seine Basisbroschüre zu Fonds überarbeitet. Ziel der Überarbeitung war eine zielgruppengerechtere Ansprache, mehr Nutzwert für den Endanleger und eine frischere Optik. Endanleger finden darin Antworten zu grundlegenden Fragen über Fonds. Darüber hinaus informiert die Broschüre, welche Fondsinformationen Anleger bei einem Kauf erhalten und auf welche Punkte sie bei den wesentlichen Anlegerinformationen achten sollten.

https://www.bvi.de/fileadmin/user_upload/Bestellcenter/BVI_Grundlagenbroschuere_web_ES.pdf

FCA launches the Asset Management Authorization Hub

Asset managers and authorization

The hub has been launched to support new firms by assisting them in applying for authorization, as well as throughout the authorization process and afterwards. The authorization hub will not lower entry standards to the market, and entrants will need to meet the same rigorous standards as current firms before receiving authorization.

https://www.fca.org.uk/firms/asset-managers-authorisation

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